




The Becker Milk Company Limited Annual Report Year ended April 30, 1976





Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Beck0101_1976

Table of Contents

Highlights of the year	3
Directors report to the Shareholders	4-5
Financial Position	6
Consolidated Statement of Earnings	7
Balance Sheet	8-9
Consolidated Statement of Changes in Financial Position	10
Notes to Consolidated Financial Statements	11-12
Auditors' Report	13
10 Years Progress Report	14-15
Directors & Officers	16
Becker Country	17



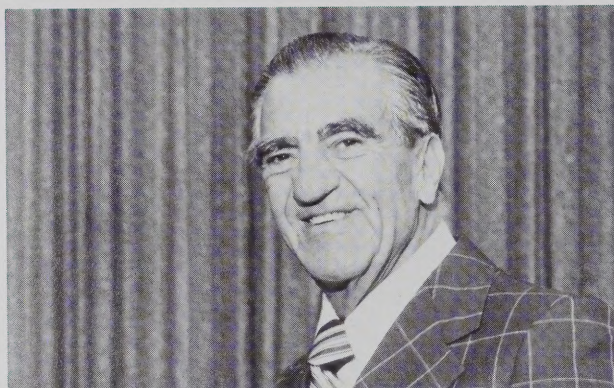
BECKER'S



Highlights of the year

	Year Ended April 30		Percentage Change
	1976	1975	
Sales	117,940,268	100,011,774	+17.9
Operating earnings	7,778,482	7,541,665	+ 3.1
Net earnings	3,013,113	2,775,769	+ 8.6
Earnings per share	1.73	1.59	+ 8.8
Long term debt	1,827,334	2,020,952	— 9.6
Shareholders' equity	15,659,397	13,110,424	+19.4
Shares outstanding — Class A	5,675	5,675	—
— Class B	1,179,610	1,179,610	—
— Common	540,750	540,750	—
Number of Stores	517	451	+14.6

Directors' report to the shareholders



Over a period of nineteen years the growth of our Company has been very gratifying. Only in one of our published Annual reports were we not in a position to state that new records had been established both in sales and in earnings.

In this, our tenth report as a public Company, we are pleased to report the results of yet another successful year.

The sales and earnings were again at record levels but we have to recognize the difficulties encountered in achieving these results. It has been a year of intense activity, of ever increasing government intervention in the operations of free enterprise and of sharp contrasts in the conditions under which we conducted our business.

During the first half of our fiscal year, Southern Ontario experienced its best summer weather for many years. This extraordinary summer helped our sales, particularly the sales of ice cream and soft drinks.



This favourable period was followed by adverse conditions. The end of summer coincided with a new burst of intensive competitive activity in food retailing. This appeared to be at least partly triggered by the controversy surrounding the introduction of Sunday closing legislation. Many Supermarkets extended their opening hours during the week, ostensibly to compensate them for being closed on Sundays. Price cutting and the offering of loss leaders became common again.

It was not surprising that during the second half of the year we could not match the excellent results of the first six months. Despite this, the sales for the year reached \$117,940,268, an increase of 18 percent over the sales of the previous year. The net earnings from operations increased by 9 percent to \$3,013,113 — an equivalent of \$1.73 per share. In the previous year the net earnings were \$2,775,769, or \$1.59 per share.

The most spectacular growth this year occurred in the area of development and expansion of Becker Country and in the magnitude of store openings.

The highpoint of the expansion programme was the acquisition of another dairy. The property and business of Cameron's Dairy in Cornwall were purchased, opening to us yet another milk marketing area, our eighth.

Significantly, this is a dairy with very adequate and recently constructed milk processing and distributing facilities. The plant is operated as Cameron Dairy Division of Becker's and services our stores in the Eastern Ontario areas from Kingston to the Quebec border and north to Ottawa.

The addition of such a plant, our first operating facility apart of our main Scarborough plant, was made desirable by the ever increasing distances over which Becker Country has spread. It also enabled us this year to accelerate our store opening programme to an unprecedented level.

A total of 75 stores were opened during the year, a net increase of 66, concluding with 517 Becker retail outlets which at the end of the year were serving over 150 Ontario cities, towns and villages.

The growth of stores in areas outside Toronto has continued to advance at an even greater rate than before.

As a matter of fact, the number of stores opened during only part of the year in our new, most easterly marketing area, almost equalled the growth during the whole year in Toronto area.

The high pace of expansion activity this year resulted in yet greater capital expenditures. We have previously stated that our normal expansion can easily be accommodated from cash flow. The expansion during the year was certainly at a rate much faster than normal, yet it was accomplished without resorting to any additional long-term financing.

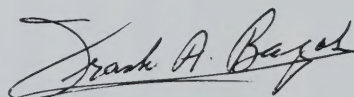
Net fixed asset additions were in excess of six million dollars and this did reduce our working capital to a deficiency position — but at an insignificant figure, considering the nature of our business.

It is also satisfying to note that this year's growth in stores and the attendant facilities of production and distribution was achieved at an average per store investment which compares most favourably to the costs of other recent years.

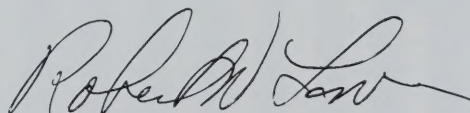
We can face the coming year with full confidence. Over the past years we have successfully withstood many periods of supermarket "wars". The periods of escalating competition have out of necessity been followed by periods of normal business conditions. It is also in our favour that the most intense competition has been centered in and around the densely populated Metro Toronto market.

We feel assured that in the coming year we can continue profitable operations, even if new records may now be confined to growth and sales only since earnings will have to be adapted to the requirements of the Anti-inflation Board.

Sincerely,



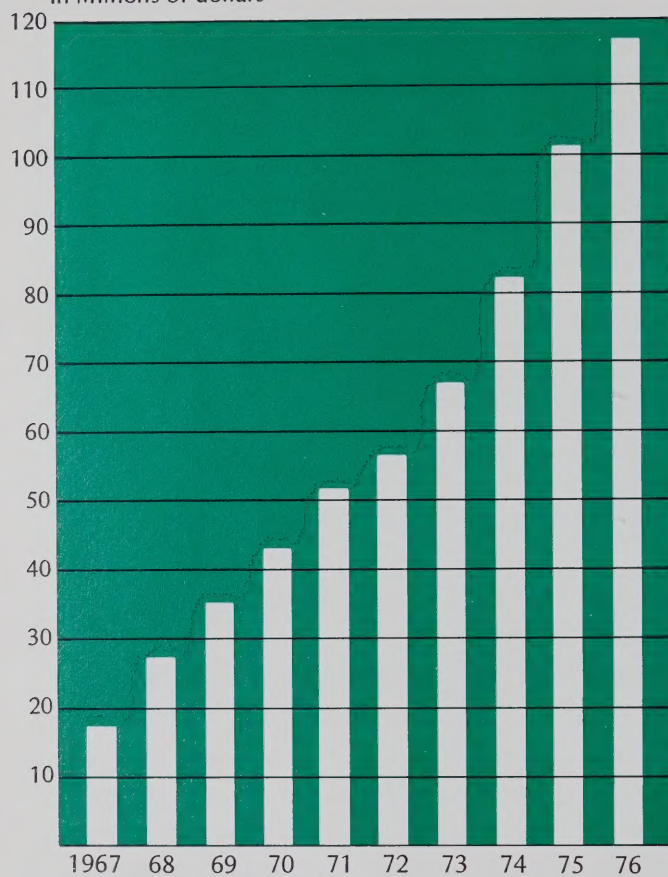
Chairman of the Board



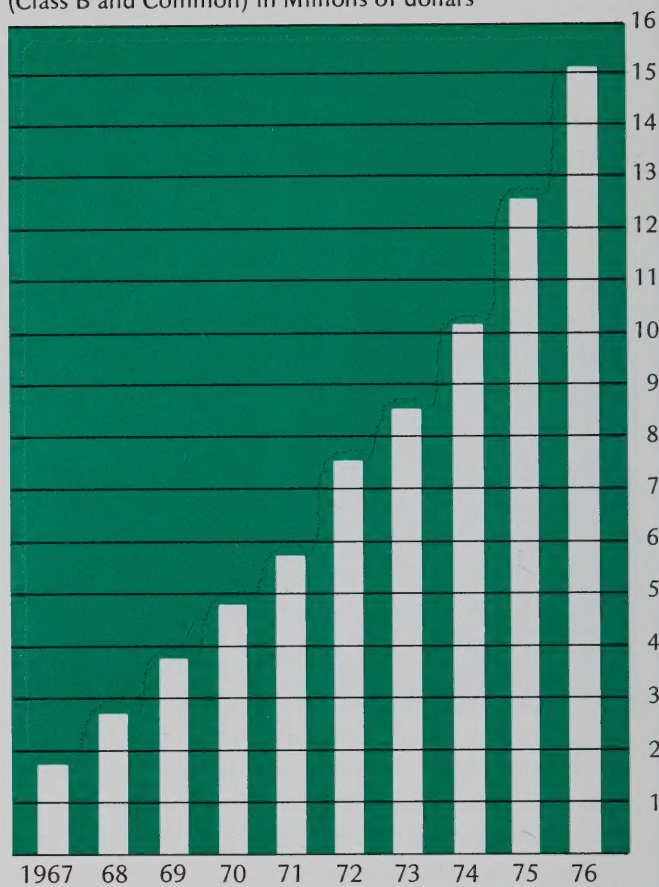
President

Financial Position

Total Sales
in Millions of dollars



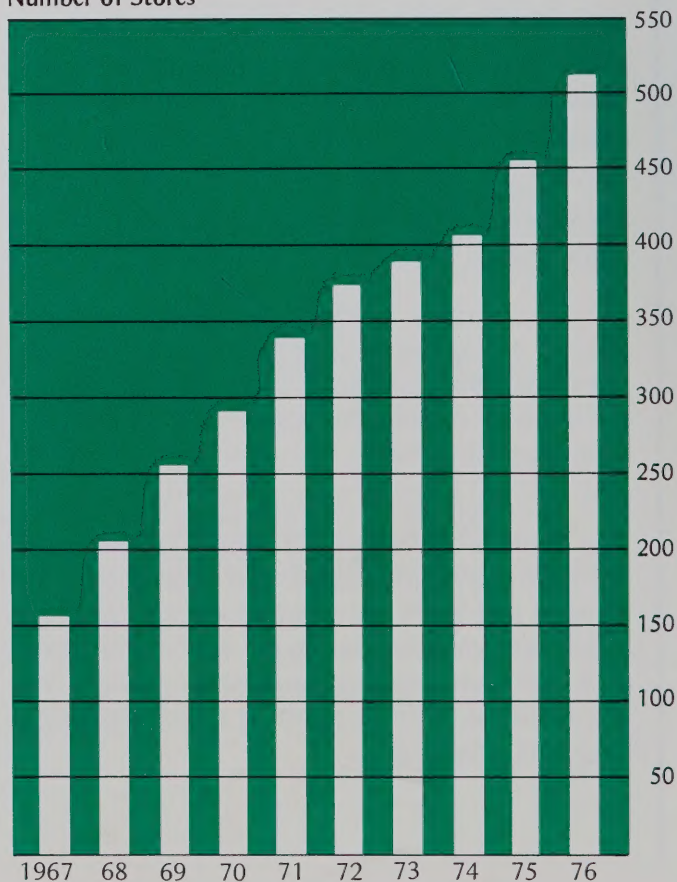
Shareholders' Equity
(Class B and Common) in Millions of dollars



Net Earnings (after tax)
in Hundred Thousands of dollars



Number of Stores



The Becker Milk Company Limited and subsidiary Companies

Consolidated Statement of Retained Earnings for the year ended April 30, 1976

	1976 \$	1975 \$
Balance at beginning of year	11,675,181	9,320,543
Net earnings for the year	3,013,113	2,775,769
	14,688,294	12,096,312
Dividends — class A preference shares	34,050	34,050
— class B preference shares	294,903	265,412
— common shares	135,187	121,669
	464,140	421,131
Balance at end of year	14,224,154	11,675,181

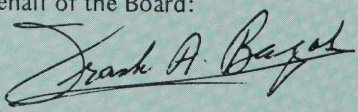
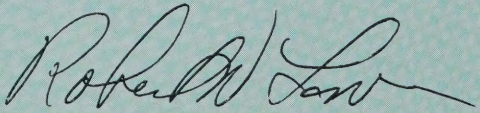
Consolidated Statement of Earnings for the year ended April 30, 1976

	1976 \$	1975 \$
Sales — Note 1	117,940,268	100,011,774
Cost of goods sold	84,566,399	71,891,339
Gross profit	33,373,869	28,120,435
Operating expenses	25,595,387	20,578,770
Earnings before depreciation and amortization, interest charges and taxes on income	7,778,482	7,541,665
Depreciation and amortization	1,782,854	1,487,472
Interest charges on long-term debt	224,515	261,424
	2,007,369	1,748,896
Net earnings before taxes on income	5,771,113	5,792,769
Provision for income taxes—		
Current	2,350,000	2,907,000
Deferred	408,000	110,000
	2,758,000	3,017,000
Net earnings for the year	3,013,113	2,775,769
Earnings per class B and common shares	1.73	1.59

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet
as at April 30, 1976

Assets

	1976 \$	1975 \$
Current Assets		
Cash	43,240	802,167
Marketable securities — at cost	5,073	5,073
Accounts receivable	1,762,574	1,273,686
Inventories — Note 1	8,256,170	6,498,638
Prepaid expenses and deposits	328,451	199,164
Corporation income tax refund due	292,379	—
Mortgages receivable	209,544	172,567
	10,897,431	8,951,295
Investments		
Chattel mortgages receivable	502,833	648,656
Mortgages receivable	135,539	84,815
	638,372	733,471
Less: Principal due within one year	209,544	172,567
	428,828	560,904
Fixed Assets — Note 1		
Assets — at cost	27,410,899	21,614,550
Less: Accumulated depreciation and amortization	9,289,933	7,851,823
	18,120,966	13,762,727
Other Assets		
Rent deposits	14,254	15,867
Progress draws on equipment and building construction	395,687	286,917
Payment in respect of retail sales tax assessment — Note 2	163,375	163,375
Payment in respect of Department of Labour assessments — Note 3	582,575	582,575
Other	143,570	105,875
	1,299,461	1,154,609
Approved on behalf of the Board:		
Director 		
Director 		
	30,746,686	24,429,535

Liabilities

	1976 \$	1975 \$
Current Liabilities		
Bank indebtedness — Note 7	1,701,307	—
Accounts payable and accrued charges	9,379,624	6,764,815
Equipment instalments	—	35,450
Dividends payable — Note 6	215,045	215,045
Income and other taxes payable	—	655,278
Deferred franchise income	55,928	61,639
Sundry mortgages and debentures payable	284,471	235,068
	11,636,375	7,967,295
Long-Term Liabilities		
Deferred franchise income	459,158	483,182
Series C debentures — Note 4	1,600,000	1,800,000
Sundry mortgages payable — Note 5	388,805	355,020
Other	123,000	101,000
	2,570,963	2,739,202
Less: Due within one year	340,399	296,707
	2,230,564	2,442,495
Deferred income taxes — Note 1	1,220,350	909,321
Total liabilities	15,087,289	11,319,111

Shareholders' Equity

Share Capital		
Authorized—		
8,000 - 6% cumulative class A preference shares with a par value of \$100 each, redeemable at par		
2,459,250 - non-voting, non-cumulative, participating class B preference shares without par value		
640,750 - common shares without par value		
Issued and Fully Paid—		
5,675 - class A shares	567,500	567,500
1,179,610 - class B shares	867,455	867,455
540,750 - common shares	288	288
	1,435,243	1,435,243
Retained earnings — Note 6	14,224,154	11,675,181
	15,659,397	13,110,424
	30,746,686	24,429,535

The accompanying notes are an integral part of the consolidated financial statements.

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Changes in Financial Position for the year ended April 30, 1976

	1976 \$	1975 \$
Sources of Working Capital		
Net earnings for the year	3,013,113	2,775,769
Non-cash charges deducted in arriving at earnings:		
Depreciation and deferred income taxes	2,100,123	1,544,200
Funds provided from operations	5,113,236	4,319,969
Increase in deferred income	—	267,639
Disposal of fixed assets	153,058	506,832
Decrease in investments	132,076	—
Other	1,613	53,000
	5,399,983	5,147,440
Applications of Working Capital		
Fixed asset additions and progress draw payments	6,393,974	4,732,331
Dividends	464,140	421,131
Increase in investments	—	297,696
Decrease in deferred income	18,313	—
Decrease in long-term debt	193,618	146,388
Department of Labour assessments	—	582,575
Purchase of goodwill	52,882	55,269
Other	—	2,287
	7,122,927	6,237,677
Decrease in working capital	1,722,944	1,090,237
Working capital at beginning of year	984,000	2,074,237
Working capital (deficiency) at end of year	(738,944)	984,000

Notes to Consolidated Financial Statements as at April 30, 1976

1. ACCOUNTING POLICIES

Principles of Consolidation

The accounts of the subsidiary companies have been included in the consolidation from the date of their acquisition.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined for processing and warehousing inventory on a first-in, first-out basis and for retail store inventories on a first-in, first-out basis applied by the retail inventory method.

Inventory values are as follows:

	April 30	
	1976	1975
	\$	\$
Processing and warehousing	1,840,754	1,644,120
Store	6,415,416	4,854,518
	8,256,170	6,498,638

Fixed Assets

Fixed assets are valued at cost and are classified as follows:

	1976	1975
	\$	\$
Land	2,132,436	1,606,519
Buildings and leasehold improvements	8,495,138	6,667,283
Store, production, automotive and office equipment	16,783,325	13,340,748
	27,410,899	21,614,550
Less: Accumulated depreciation and amortization	9,289,933	7,851,823
	18,120,966	13,762,727

Depreciation has been calculated in accordance with the Company's established policy of amortizing the depreciable properties over their estimated useful life, with the exception of trucks and automobiles, which have been depreciated at maximum normal rates permitted by regulation under The Canada Income Tax Act.

The Company has continued to claim maximum allowances for income tax purposes.

Sales

Sales include sales by Company-owned stores and sales by the Company to its franchisees.

Franchise Income

Franchise fees are taken into income over the term of the franchise agreement.

Income Taxes

Income taxes are accounted for on the tax allocation method, whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation and franchise fee income.

2. RETAIL SALES TAX ASSESSMENTS

The Company has contested two assessments levied by the Ontario Retail Sales Tax Department for the period November 1, 1964 to April 30, 1970. The first assessment in the amount of \$163,375 has been paid and the second assessment in the amount of \$272,776 is still unpaid. The Company has received an opinion of legal counsel that at the present time it can successfully defend the foregoing assessments.

3. DEPARTMENT OF LABOUR ASSESSMENTS

The assessments are being contested and will result in a refund. At the present time, the amount of the refund is indeterminate.

4. SERIES C DEBENTURES

The authorized maximum loan from the Company's bankers under these debentures is \$4,000,000. Draw downs may be made to January 1, 1977. Interest on the amounts outstanding will be at 1% above the bank's prime lending rate and is payable quarter yearly. Repayment of principal is \$200,000 per annum. The loan may be prepaid at any time without notice or bonus. The Company's bankers will receive warrants to purchase class B shares at the rate of a warrant to purchase 2,000 shares for every \$500,000 loan so drawn down in excess of \$1,000,000, until warrants to purchase an additional 12,000 shares have been issued. The price per share shall be 10% above the closing bid quotation on the day previous to the draw down with respect to which the warrants were issued and may be exercisable for a period of five years from the date of the draw downs. Under an extension agreement, the bank's purchase price for the 4,000 shares for warrants issued to date has been reduced from \$19-1/8 (the price applicable at the date of draw downs) to \$12.50 each. The debentures are secured by a charge on all assets presently owned and hereafter acquired. Dividends may be paid on any class of shares provided capital and retained earnings exceed \$3,250,000.

5. SUNDRY MORTGAGES PAYABLE

This amount covers 20 mortgages on properties purchased for retail store locations and additional warehouse and/or production facilities. The principal amounts mature up to 1985 with various interest rates not exceeding 10% per annum.

6. DIVIDENDS

On December 31, 1975, the Company declared a dividend of \$6 per share on its class A shares, being the dividend accruing from January 1, 1975 to December 31, 1975. This dividend totalling \$34,050 was paid on January 2, 1976. Dividends totalling 25¢ per share were declared on class B and common shares during the year.

7. FLOATING CHARGE DEBENTURES

The bank indebtedness is secured by a floating charge debenture.

8. REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include \$293,500 (last year \$264,000) for remuneration of officers and \$8,900 (last year \$7,450) for directors.

9. LEASES

The minimum annual rentals payable (excluding insurance, property taxes and certain other occupancy charges) under the lease obligations for store locations amount to \$2,795,793. The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, amounts to \$14,002,152.

LANGLOIS, HAUCK & COMPANY

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to Note 3, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and changes in financial position present fairly the financial position of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1976 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

TEN YEARS OF

Year ended

	1976	1975	1974
	\$	\$	\$
Sales	117,940,268	100,011,774	82,512,538
Earnings before depreciation and amortizations, interest and taxes on income	7,778,482	7,541,665	5,533,008
Depreciation and amortization (Note 1)	1,782,854	1,487,472	1,243,306
Interest	224,515	261,424	223,504
Taxes on income	2,758,000	3,017,000	2,061,000
Net earnings	3,013,113	2,775,769	2,005,198
Shareholders' equity (Note 2)	15,091,897	12,542,924	10,188,286
Shares outstanding (Note 2)	1,720,360	1,720,360	1,720,360
Net earnings per class B and common share (Note 3)	1.73	1.59	1.15
No. of stores (at end of fiscal year)	517	451	412
Net fixed asset additions	6,240,916	4,225,499	1,750,575

Notes

1. Figures for all years have been adjusted to reflect current Company policy on depreciation and amortization.
2. Combined Class B and Common.
3. Figures for all years have been adjusted for the ten-for-one stock split of February 28, 1967.
Net earnings per share have been adjusted to allow for the current years Class "A" preference dividend.
Dividends on Class "A" shares from January 1, 1976 to April 30, 1976 amounting to \$11,350 have not been declared and/or allowed in computing the shareholder's equity.

PROGRESS

April 30

1973	1972	1971	1970	1969	1968	1967
\$	\$	\$	\$	\$	\$	\$
76,084,930	68,670,017	56,956,164	50,636,008	42,581,264	34,511,342	27,150,658
3,950,902	4,381,989	3,252,808	3,271,049	2,716,803	2,189,374	1,707,740
1,199,672	1,110,483	958,516	814,019	693,962	483,576	395,838
174,032	175,962	195,230	194,858	80,813	51,562	30,038
1,212,500	1,484,400	1,111,560	1,197,800	1,025,431	857,663	656,419
1,364,698	1,611,144	1,075,002	1,064,372	916,597	796,573	625,445
8,475,193	7,316,581	5,901,457	4,853,593	3,815,981	2,708,463	1,940,340
1,720,360	1,720,360	1,719,220	1,718,260	1,717,540	1,703,700	1,703,000
.77	.92	.60	.60	.51	.45	.35
392	374	340	293	251	201	156
2,324,134	2,178,436.	2,167,127	2,165,236	2,244,977	1,973,365	887,833

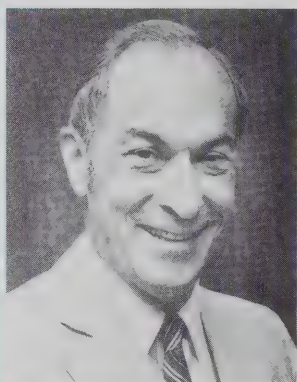
Directors and officers



Frank A. Bazos



Robert W. Lowe



E.S. Miles



William H. Zimmerman



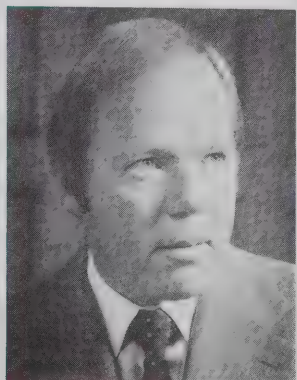
Robert Bazos



George Panos



Arvi Magi



R.S. Paddon



Geoffrey W.J. Pottow

Board of Directors

Frank A. Bazos
Chairman of the Board
The Becker Milk Company Limited
Robert W. Lowe
President
The Becker Milk Company Limited
Robert Bazos
President
Perrette Dairy Limited
William H. Zimmerman
Queen's Counsel
E.S. Miles
Investment Dealer
George Panos
Vice-President
The Becker Milk Company Limited
Geoffrey W.J. Pottow
Vice-President
The Becker Milk Company Limited
Arvi Magi
Vice-President-Treasurer
The Becker Milk Company Limited

Officers

Frank A. Bazos
Chairman of the Board
Robert W. Lowe
President
Robert Bazos
Vice-President
Arvi Magi
Vice-President and Treasurer

George Panos
Vice-President
Geoffrey W.J. Pottow
Vice-President
R.S. Paddon
Secretary

Registrar and Transfer Agent

The Royal Trust
Company, Toronto and
Montreal

Auditors

Langlois, Hauck &
Company, Toronto

Solicitors

Aird, Zimmerman &
Berlis

Stock Exchange
Listing of Class "B"
Shares

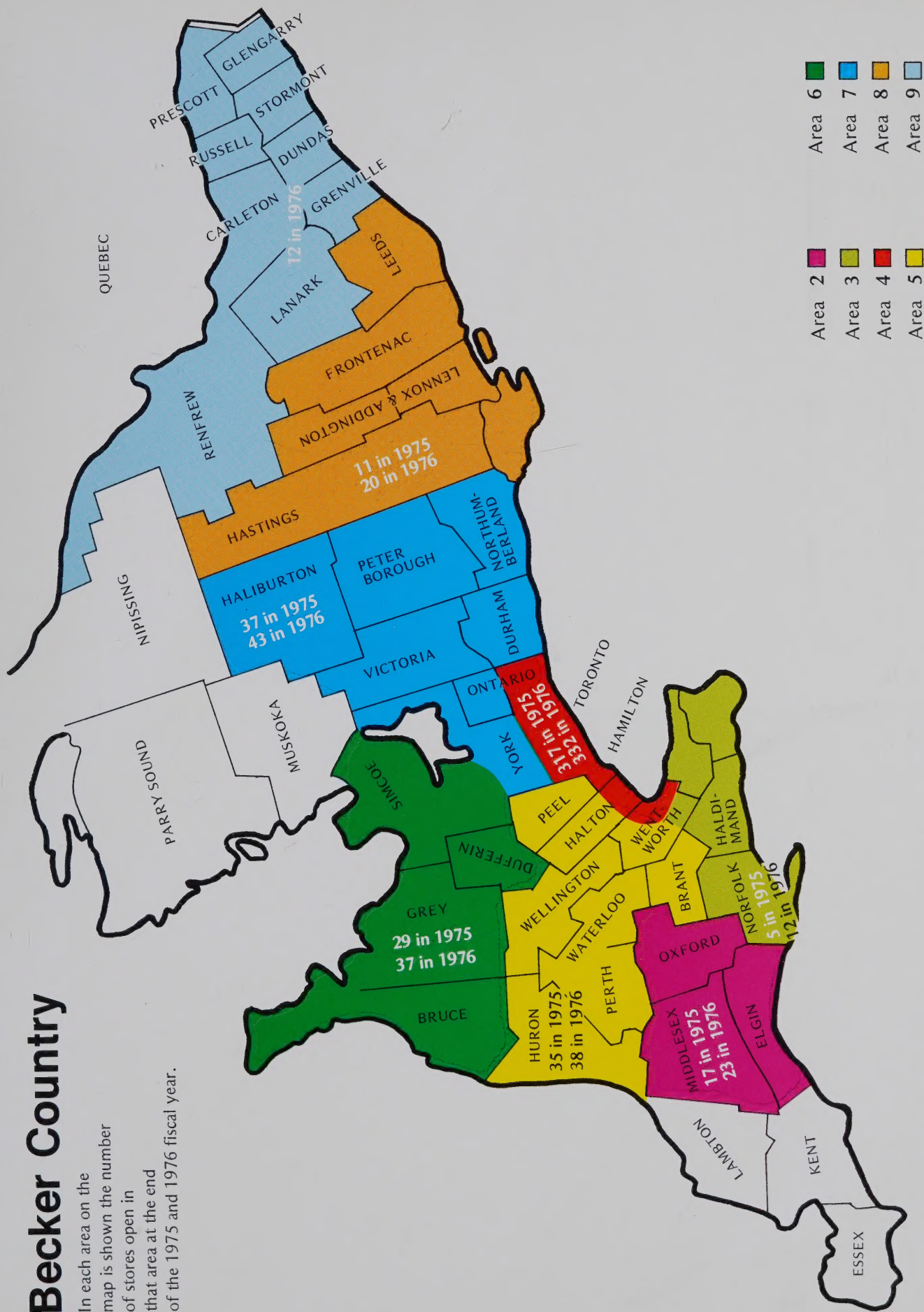
Toronto Stock Exchange

Head Office

671 Warden Ave.,
Scarborough, Ontario,
Canada

Becker Country

In each area on the map is shown the number of stores open in that area at the end of the 1975 and 1976 fiscal year.



CONSOLIDATED STATEMENT OF EARNINGS

UNAUDITED

FOR THE SIX MONTHS ENDED OCTOBER 31, 1976

	1976	1975
	\$	\$
Sales	69,854,471	59,741,396
Cost of goods sold	<u>51,549,219</u>	<u>42,705,270</u>
Gross profit	18,305,252	17,036,126
Operating expenses	<u>15,211,842</u>	<u>12,424,373</u>
Earnings before depreciation and amortization, interest charges and taxes on income	<u>3,093,410</u>	<u>4,611,753</u>
Depreciation and amortization	1,083,119	849,865
Interest charges on long-term debt	<u>109,743</u>	<u>116,720</u>
	<u>1,192,862</u>	<u>966,585</u>
Net earnings before taxes on income	<u>1,900,548</u>	<u>3,645,168</u>
Provision for income taxes		
Current	915,000	1,846,971
Deferred	<u>894,000</u>	<u>(96,971)</u>
	<u>1,006,548</u>	<u>1,750,000</u>
Net earnings for the period	<u>1,006,548</u>	<u>1,895,168</u>
Earnings per class B and common share	<u>.58</u>	<u>1.09</u>

HALF-YEAR HIGHLIGHTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 1976

	1976	1975
	\$	\$
Sales	69,854,471	59,741,396
Operating earnings	3,093,410	4,611,753
Net operating earnings	1,006,548	1,895,168
Earnings per share	0.58	1.09
Long-term debt	2,307,966	2,448,703
Shareholders' equity	16,450,900	14,790,547
Shares outstanding		
Class A	5,675	5,675
Class B	1,179,610	1,179,610
Common	540,750	540,750
Number of stores	552	482

INTERIM REPORT

TO THE SHAREHOLDERS OF
 THE BECKER MILK COMPANY LIMITED
 AND SUBSIDIARY COMPANIES

For the six months ended October 31, 1976

BECKER'S

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION UNAUDITED FOR THE SIX MONTHS ENDED OCTOBER 31, 1976

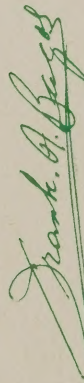
To Our Shareholders:

As of October 31, 1976 there were 552 Beckers' Stores in operation in our "Becker Country".

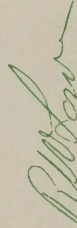
Sales of \$69,854,471 for the six month period showed an increase of \$10,113,075 or 17% over the sales of the first six months of last year.

Net earnings from operations were \$1,006,548, an equivalent of .58 cents per share, after allowing for the proportional Class "A" Preference Share dividends. This shows a decrease of 47% from the net operating earnings of \$1,895,168, or \$1.09, per share in the same period last year.

Sincerely



Chairman of the Board



President

December 10, 1976

	1976 \$	1975 \$
Sources of Working Capital		
Net earnings for the period	1,006,548	1,895,168
Non-cash charges deducted in arriving at earnings, principally depreciation and deferred income taxes	1,055,141	750,445
Funds provided from operations	2,061,689	2,645,613
Decrease in investments	85,357	82,235
Disposal of fixed assets	79,440	20,796
Increase in long-term debt	69,252	6,866
Increase (decrease) in deferred income	8,150	(658)
Other	705	-
	<u>2,304,593</u>	<u>2,754,852</u>
Application of Working Capital		
Fixed asset additions and progress draw payments	2,653,591	3,510,520
Dividends declared	215,045	215,045
Purchase of goodwill	-	51,881
	<u>2,868,636</u>	<u>3,777,446</u>
Decrease in working capital	564,043	1,022,594
Working capital (deficiency) at beginning of period	(738,944)	984,000
Working capital deficiency at end of period	<u>1,302,987</u>	<u>38,594</u>